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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	February 28, 2010
Estimated average burden hours per response.....	12.00

SEC FILE NUMBER
B- 67153

**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/07 AND ENDING 12/31/07
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

STONEHURST SECURITIES, INC.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

101 PARKSHORE DRIVE, SUITE 100

(No. and Street)

FOLSOM

CALIFORNIA

95630

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

PHILLIP BORUP

(916) 932-2870

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

CLARIDAD & CROWE

(Name - if individual, state last, first, middle name)

101 LARKSPUR LANDING CIRCLE, SUITE 311

LARKSPUR

CA

94939

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
☐ Public Accountant
☐ Accountant not resident in United States or any of its possessions.

PROCESSED

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FINANCIAL

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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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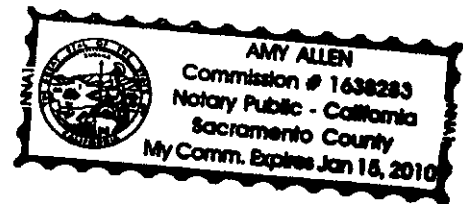
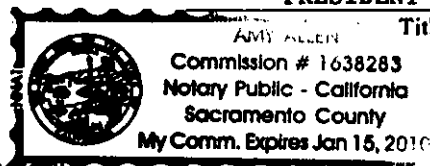
OATH OR AFFIRMATION

I, PHILLIP BORUP, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of STONEHURST SECURITIES, INC., as of DECEMBER 31, 20 07, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Phillip Borup
Signature

PRESIDENT

Amy Allen
Notary Public



This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☒ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

CLARIDAD & CROWE

Certified Public Accountants
A Partnership of Professional Corporations

101 Larkspur Landing Circle, Suite 311, Larkspur, CA 94939
Telephone (415) 464-8999
Facsimile (415) 464-9009

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Stonehurst Securities, Inc.
Folsom, California

We have audited the statement of financial condition of Stonehurst Securities, Inc. as of December 31, 2007, and the related statements of operations, changes in stockholder's equity, and cash flows for the year ended December 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Stonehurst Securities, Inc., as of December 31, 2007, and the results of its operations and its cash flows for the period then ended, in conformity with U.S. generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on pages 12 through 15 is presented for purposes of additional analysis and is not part of the basic financial statements. The additional information is required by Rule 17a-5 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material aspects in relation to the basic financial statements taken as a whole, and in conformity with the rules of the Securities and Exchange Commission.



CERTIFIED PUBLIC ACCOUNTANTS

February 4, 2008

STONEHURST SECURITIES, INC.
STATEMENT OF FINANCIAL CONDITION
December 31, 2007

ASSETS

Cash and cash equivalents	\$ 86,491
Deposit with clearing broker	10,375
Commissions receivable	268,777
Prepaid expense	2,291
Equipment, net of accumulated depreciation of \$ 3,907	<u>1,946</u>
	<u>\$ 369,880</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Accounts payable and accrued expenses	\$ 20,982
Commissions payable	228,048
Income taxes payable	<u>1,436</u>
Total liabilities	<u>250,466</u>

Stockholder's equity

Common stock, no par value, 750,000 shares authorized, 250,000 shares issued and outstanding	8,750
Preferred stock, no par value, 250,000 shares authorized, 250,000 shares issued and outstanding	8,750
Additional paid in capital	93,940
Retained earnings	<u>7,974</u>
Total stockholder's equity	<u>119,414</u>

\$ 369,880

See notes to financial statements.

STONEHURST SECURITIES, INC.
STATEMENT OF OPERATIONS
For the Year Ended December 31, 2007

REVENUES

Commission income	\$ 1,164,003
Consulting and other income	<u>377,710</u>
	<u>1,541,713</u>

EXPENSES

Compensation	308,984
Commission expense	875,679
Professional fees	126,232
Regulatory fees	34,227
Other operating expenses	<u>97,016</u>
	<u>1,442,138</u>

INCOME BEFORE INCOME TAXES	99,575
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INCOME TAX	<u>2,236</u>
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NET INCOME	<u><u>\$ 97,339</u></u>
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See notes to financial statements.

STONEHURST SECURITIES, INC.
STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY
For the Year Ended December 31, 2007

	Common Stock		Preferred Stock		Additional Paid in Capital	Retained Earnings (Deficit)	Total
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>			
Balance, December 31, 2006	250,000	\$ 8,750	250,000	\$ 8,750	\$ 93,940	\$ (89,365)	\$ 22,075
Net income	-	-	-	-	-	97,339	97,339
Balance, December 31, 2007	<u>250,000</u>	<u>\$ 8,750</u>	<u>250,000</u>	<u>\$ 8,750</u>	<u>\$ 93,940</u>	<u>\$ 7,974</u>	<u>\$ 119,414</u>

See notes to financial statements.

STONEHURST SECURITIES, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2007

CASH FLOWS FROM OPERATING ACTIVITIES

Net income	\$ 97,339
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	1,956
Change in assets and liabilities:	
(Increase)decrease in:	
Deposit with clearing broker	(90)
Commissions receivable	(265,676)
Decrease(increase) In:	
Accounts payable and accrued expenses	12,255
Commissions payable	228,048
Income taxes payable	<u>1,436</u>
Net adjustments	<u>(22,071)</u>
Net cash provided by operating activities	<u>75,268</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>11,223</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 86,491</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:	
Income taxes paid	<u>\$ 800</u>

See notes to financial statements.

STONEHURST SECURITIES, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2007

NOTE A – Summary of Significant Accounting Policies

General

Stonehurst Securities, Inc. (the Company), a California corporation, was incorporated in April, 2005, and was registered as a broker-dealer under the Securities and Exchange Act of 1934 in November, 2005 and the National Association of Securities Dealers in March, 2006. The Company's primary business objective is to work with its registered representatives to build their financial practices and better serve their clients by simplifying operational processes and maintaining a wide variety of product offerings that support their clients' investment objectives. The Company's products and services include financial planning, private placement securities, municipal securities, mutual funds, annuities, life insurance, stocks and bonds.

Accounting

These financial statements are prepared using the accrual method of accounting.

Statement of Cash Flows

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Regulatory Requirements

The Company is exempt from the requirements of Rule 15c3-3 pursuant to the rules for broker-dealers who clear all transactions for customers on a fully disclosed basis with a clearing broker-dealer and who promptly transmit all customer funds and securities to the clearing broker-dealer.

Securities Transactions

Commission revenues are recorded on the trade date basis.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

STONEHURST SECURITIES, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2007

NOTE A – Summary of Significant Accounting Policies (Continued)

Commissions Receivables

The Company considers commissions receivable to be fully collectible and accordingly, no allowance for doubtful accounts has been provided. If amounts become uncollectible, they will be charged to operations when that determination is made.

Equipment

Equipment is recorded at cost. Maintenance and repairs are expensed as incurred. Depreciation is computed using accelerated methods over the estimated useful life (3 years) of the asset. The Organization's policy is to capitalize furniture and equipment purchases greater than \$750.

Income Taxes

Deferred income taxes, if any, are provided for operating losses available to offset future taxable income.

NOTE B – Related Party Transactions and Commitments

Consulting and Advisor Services

The president and sole shareholder in the Company is also an officer and member of Golden State Development Group, LLC (Golden State). Golden State provides the Company with consulting and advisor services. During the year ended December 31, 2007, the Company paid \$ 91,455, to Golden Gate for such services. These amounts are included in professional fees in the statement of operations.

Lease Commitment

In November, 2007, the Company executed a sublease agreement with Golden State for its office. Minimum lease payments under the non-cancelable operating lease are:

2008	\$ 60,000
2009	60,000
2010	60,000
2011	60,000
2012	<u>55,000</u>
	<u>\$ 295,000</u>

STONEHURST SECURITIES, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2007

NOTE B – Related Party Transactions and Commitments (continued)

Lease Commitment (continued)

Lease payments aggregating \$33,140 are included in other operating expenses in the statement of operations.

NOTE C – Preferred Stock

The Company is authorized to issue 250,000 shares of no par, non voting preferred stock; there were 250,000 issued and outstanding at December 31, 2006.

NOTE D – Income Taxes

Income taxes consist of the following components:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Current	\$ 21,843	\$ 9,263	\$ 31,106
Deferred, including tax benefit of net operating loss carryforward	<u>(20,407)</u>	<u>(8,463)</u>	<u>(28,870)</u>
	<u>\$ 1,436</u>	<u>\$ 800</u>	<u>\$ 2,236</u>

Prior to 2007, the Company had incurred operating losses since inception. Since the future tax benefit of the net operating loss was dependent on the Company attaining future profitable operations, a valuation allowance of \$30,380 had been provided for the related 2006 deferred tax asset in its entirety. The previous valuation allowance was reduced by the current benefit of the utilization of the prior net operating loss in its entirety.

At December 31, 2007, the Company's income tax returns for the years 2005 through 2007 remain open to examination by the Internal Revenue Service and the California Franchise Tax Board.

STONEHURST SECURITIES, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2007

NOTE E – Net Capital Requirements

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1) which requires the maintenance of minimum net capital, and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. As of December 31, 2007, the Company's net capital is \$85,982, which is \$69,276 in excess of the minimum amounts required. The Company's ratio of aggregate indebtedness to net capital at December 31, 2007 was 2.91 to 1.0.

The rule provides that equity capital may not be withdrawn, subordinated debt may not be repaid and cash dividends may not be paid if the resulting net capital would be less than the amounts required under the rule.

ADDITIONAL INFORMATION

STONEHURST SECURITIES, INC.
COMPUTATION OF NET CAPITAL
December 31, 2007

NET CAPITAL

Stockholder's equity	\$ 119,414
Less nonallowable assets:	
Commissions receivable	(28,988)
Prepaid expense	(2,291)
Furniture and equipment, net	<u>(1,946)</u>
	<u>(33,225)</u>

NET CAPITAL BEFORE HAIRCUT 86,189

Haircut on clearing deposit (207)

NET CAPITAL \$ 85,982

AGGREGATE INDEBTEDNESS

Items included in statement of financial condition	
Accounts payable and accrued expenses	\$ 20,982
Commissions payable	228,048
Income taxes payable	<u>1,436</u>
	<u>\$ 250,466</u>

COMPUTATION OF BASIC NET CAPITAL REQUIREMENTS

Minimum net capital requirement (6-2/3 % of aggregate indebtedness or \$5,000)	<u>\$ 16,706</u>
Net capital in excess of minimum requirement	<u>\$ 69,276</u>
Ratio of aggregate indebtedness to net capital	<u>2.91 to 1</u>

RECONCILIATION WITH COMPANY'S COMPUTATION
(Included in Part II of Form X-17A-5 as of December 31)

Net capital, as reported in Company's Part II (unaudited) FOCUS report	\$ 87,418
Audit adjustment – Income taxes payable	<u>(1,436)</u>
Net capital as reported herein	<u>\$ 85,982</u>
Aggregate indebtedness as reported in Company's Part II (unaudited) FOCUS report	\$ 249,030
Income taxes payable	<u>1,436</u>
Aggregate indebtedness, as reported herein	<u>\$ 250,466</u>

These differences result in a ratio of aggregate indebtedness to net capital of 2.91 to 1.0 rather than 2.85 to 1.0 as previously reported.

STONEHURST SECURITIES, INC.

**COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS
PURSUANT TO RULE 15c3-3**

December 31, 2007

An exception from Rule 15c3-3 is claimed, based on section (k)(2)(ii). All customer transactions are processed in accordance with Rule 15c3-1(a)(2).

**INFORMATION FOR POSSESSION OR CONTROL
REQUIREMENTS UNDER RULE 15c3-3**

December 31, 2007

An exception from Rule 15c3-3 is claimed, based on section (k)(2)(ii).

CLARIDAD & CROWE

**Certified Public Accountants
A Partnership of Professional Corporations**

101 Larkspur Landing Circle, Suite 311, Larkspur, CA 94939
Telephone (415) 464-8999
Facsimile (415) 464-9009

February 4, 2008

Board of Directors
Stonehurst Securities, Inc.
Folsom, California

We have audited the financial statements of Stonehurst Securities, Inc. for the year ended December 31, 2007, and have issued our report thereon dated February 4, 2008. As part of our audit, we made a study and evaluation of the Company's system of internal accounting control to the extent we considered necessary to evaluate the system as required by U.S. generally accepted auditing standards. The purpose of our study and evaluation, which included obtaining an understanding of the accounting system, was to determine the nature, timing, and extent of the auditing procedures necessary to express an opinion on the financial statements.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission, we have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by Stonehurst Securities, Inc., that we considered relevant to the objectives stated in Rule 17a-5(g), in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-5(g)(11) and the procedures for determining compliance with the exemptive provisions of Rule 15c3-3. Since the Company does not maintain customer accounts and does not handle securities, we have not made a study of the practices and procedures (including tests of compliance with such practices and procedures) relevant to the objectives stated in Rule 17a-5(g) for (1) making the quarterly securities examinations, counts verifications and comparisons, and the recordation of differences required by Rule 17a-13; (2) complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System; and (3) obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by Rule 15c3-3.

The management of the Company is responsible for establishing and maintaining a system of internal accounting control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control procedures and of the practices and procedures as referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the commission's above-mentioned objectives. The objectives of a system and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with

Board of Directors
Stonehurst Securities, Inc.
February 4, 2008
Page Two

management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any system of internal accounting control of the practices and procedures referred to above, errors or irregularities may nevertheless occur and not be detected. Also, projections of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of Stonehurst Securities, Inc., taken as a whole. Our study and evaluation disclosed no condition that we believed to be a material weakness.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2007, to meet the Commission's objectives and nothing came to our attention that would indicate the Company had not complied with the condition of its exception under Rule 15c3-3 during the year then ended.

This report is intended solely for the use of management and the Securities and Exchange Commission and other regulatory agencies pursuant to their requirements and should not be used for any other purpose.


CERTIFIED PUBLIC ACCOUNTANTS

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